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Budget Making, Financial Management and Human Services Administration

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BUDGET-MAKING, FINANCIAL MANAGEMENT AND HUMAN SERVICES ADMINISTRATION*

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A Concept Map of Financial Management

For many professionals in the human services, budget-making and the other related responsibilities of financial management in social agencies have an air of magic and mystery about them. Because accounting, cost-estimation, fiscal analysis, and some of the other skills involved are, by and large, outside the realm of experience of most human service workers, initial encounters with these topics are ofter forbidding and anxiety-producing. Yet every student of human services administration and every practicing professional preparing to assume a position of agency of program management responsibility must eventually come to terms with these topics. For the truth is that management knowledge cannot be considered complete without some knowledge of the workings of financial resources in organizations and of the decisions which regulate their movement.

For the benefit of readers completely unfamiliar with this subject, it may be helpful to visualize the subject initially as a unique **concept space**, composed of a distinctive set of concepts and their interrelated meanings. This chapter is devoted principally to setting out ("mapping") the outer limits of that space, and of exploring some of the essential landmarks and pathways therein. We cannot hope in such a discussion to explore all the subtleties and nuances involved. (what map ever does?) The reader should expect from this discussion, however, a broad understanding of the importance of budgets, how they are constructed, and important relationships between budgets and other managerial concerns, both financial and non-financial.

Initiation Rites

For many practitioners, the seeming obsurity of financial subjects will in no way be diminished, and will possibly even be increased, by their first encounters on the job. The reasons for this are quite simple, and related to the reference above to mapping: Most knowledge of financial matters does not involve a "theoretical map" of inter-related definitions and propositions which most students of human behavior have come to expect. Instead, knowledge in this area involves a detailed, operationally defined, but readily learnable "model" which is mostly difinitional in nature. For instance, a "balanced budget' means that the income or revenue items are numberically equal to the outflows or expenditure items. Why is this so? Only because that is the conventional usage. What difference does it make? Well, that depends upon how deeply you wish to pursue the matter. There are sufficient theoretical bases underlying most of the terms and concepts

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used in human services financial management. In most instances, however, students are well advised to deal with these as conventions unless they wish to pursue advanced work in this area.

Because knowledge in this area consists of a large and inter-connected set of working definitions composing a single model. Most newcomers have difficulty understanding financial management. Awareness of this difficulty, however, should be tempered by two additional insights: First, nearly everyone (at least in the human services) has experienced similar difficulties in their initial exposure. And, secondly, like learning to walk, drive a car, type, or swim, once the initial difficulties are overcome, one can by and large forget about the basics and concentrate on using the knowledge.

Financial Management

Initial exposure to this model involves accepting certain standard assumptions about the situational context of financial management and the regularities imposed by that context. For example, whether one is concerned with organized agencies per se, or with more of less free-standing programs, a common financial concept essential for management purposes is that of the entity, which is simply the unit for which financial records (accounts) are maintained. In all cases, management concern with control, planning, evaluation, and even basic record-keeping must take the entity, or fund, into account. Furthermore, when common-sense notions of program limits conflict with established fund definitions, the common-sense notions must give way to the legal an ethical demands of the latter. Therefore, the initial task for financial management is to establish which program activities (workers, job assignments, travel, etc.) are associated with which fund activities (income or revenue, and expenditures). Usually, examination of planning documents, such as budget proposals, and control documents, such as charts of accounts, policy statements, and agency guidelines, will establish these relationships, although in smaller agencies staff members may carry these items around "in their heads".

Another standard contextual assumption affecting financial management practice involves differences in the types of agencies involved in the delivery of human services. Human service agencies today tend to fall into three reasonably distinct groupings: Two types, the **voluntary agency**, organized as a not-for-profit corporation, and the **public agency**, supported by tax revenues, are well-established modes of delivering services. Until recently, management of financial resources in voluntary agencies has been quite limited, both because of the small scale of operations and the resultant lack of managerial specialization, and because of the primitive state of their financial technology. At the same time, attention to financial matters in public agencies was often the exclusive prerogative of accountants, budget analysts, and other specialists located outside the service delivery agency in another branch or unit of government. In either case, the result was much the same: Human services administrators needed only a very sketchy general knowledge of financial matters in order to perform acceptably, because the expected competence was relatively low level and complicated functions were performed by others. A major consequence of this pattern however, was that the planned management of available resources was seldom possible. Administrators instead usually confined themselves to "substantive" matters, checking with the financial experts when appropriate to see if they could afford what they wanted to do.

More recently, we have seen the emergence of a new form of **third-sector** agency, in which more active financial management is essential. Financed in whole or part by public funds, but organized legally as not-for-profit corporations, these newer agencies have the legal flexibility and often the practical necessity, of simultaneously pursuing several types of funding from different sources. As a consequence, these **multi-funded** agencies require competent financial management, simply to decide which activities relate to which accounting transactions, since those decisions have an impact on intelligent programming. For example, if two separate federal grants support client transportation, the administrator must decide whether a single bus can be used and the costs pro-rated to the different funds, or whether two buses are legally necessary.

We shall assume throughout this discussion that there are certain aspects of financial management common to all human service entities. However, for the reasons mentioned above, these activities are best developed in third-sector agencies. Further, in managing financial resources the administrator must consider several dimensions. First of all, there is the question of **survival**. In most instances, the continued existence of an agency or program is dependent upon continued fund-raising activities. If such revenue stops, the agency will not be able to continue. Secondly, there is the issue of **fiscal control**. Boards of directors, outside funding sources, and the community at large generally insist that there be sufficient control over the safe-keeping and expenditure of funds to minimize, if not prevent, loss, theft, or embezzlement. Furthermore, any effort to actively manage resources and direct them to explicit use and agency purposes, assumes some measure of control. The administrator of a small public agency who must get approval for every expenditure decision from a county clerk or city comptroller may have relatively little managerial control to exercise. Thirdly, the active **management of the allocations process**, both in putting together an agency or program budget and in implementing that budget, calls for a large number of decisions be made about where to spend, and not spend, money. Human service administrators, if they desire to influence their program, should seek maximum control over such decisions, both in the budget planning and implementation stages.

Such control is most justified when the administrator links substantive, programmatic perspectives with the technical perspectives of accountancy. The fourth major concern, which can only emerge if allocations management already exists, is an explicit focus on planning and evaluation as these relate to allocations and control decisions. In other words, until some control is imposed on allocations decisions, it is fruitless to talk of the future-oriented problem-solving approaches of planning, or evaluative concerns, with the efficiency and effectiveness of program activities. Increasingly, it is apparent that some human services agencies can move beyond their narrow concern with survival and control and confront the issues of allocations management, planning, and evaluation.

The budgetary process, both within the agency and in larger budgetary systems, if the focal point of human services management. Budgets are often said to be plans, and indeed they are. They are also important documents for the fun-raiser, for no funding source should be expected to give a large sum of money without some detailed explanation about how it will be spent. Further, budgets are important control devices, an aspect of the topic that is oftenoverlooked. And the act of putting together a budget requires allocational decision-making, and provides an opportunity for fiscal planning and the establishment of evaluative criteria. In sum, the budgetary process is critically important because so many cross-currents of financial management converge on it.

Developing a Budget Proposal

The actual development of a budget proposal should always carefully consider the six issues noted above: fund-raising, fiscal control; substantive and programmatic implications of allocation; choices; and planning and evaluation.

The development of an agency budget differs from the development of the federal budget or a household budget. The differences, however, are primarily those of scale and complexity. The essential similarities which may initially elude the novice will become apparent with experience.

There are three principles elements in budget development: identifying the key items of a plan or program which involve expenditure of resources, or which may generate revenue; "pricing" these items; and building a consensus for the budget proposal. The first two are essentially technical skills involving analysis and arithmetic, the latter, a form of human relations. All three are essential for the successful budgetary enterprise. Because it is likely to be familiar territory to most human service workers, we shall begin with consensus-building.

Budget Reference Groups

A budget is a set of numbers, together with identifying phrases, that sets forth proposed expenditures and estimates revenue. From a behavioral standpoint, however, that document is a medium for communicating the "real" budget, the understandings and working agreements negotiated between the budget reference groups. Several such "constituencies" are usually involved in any budget, and it is an important management task to identify them.

The test for identifying members of budget reference groups is relatively simple: Who needs to know anything about the budget under preparation, and what specifically do they need to know? The first question will identify the parties involved, and the second allows them to be grouped. Need, in this case, operates on two levels: Who **must** be informed if there are not to be serious repercussions for the budget or its developers? This is the obligatory level. A second level, that of professional courtesy, involves identifying those who may be completely uninterested in process or details, but who should at least be informed when the budget process is complete and the total amount of requested funds has been decided on. Such courtesies, it should be noted, can amount to more than a display of good manners, for they can keep open the possibility of active support, should it be required. If there are any questions about who should receive courtesy notification, it is wise to err on the side of sparcity, since the budget developer, rightfully proud of his efforts, may be inclined to send much more information than by really be disired by such persons.

In cases where a large number of persons are included in the obligations group, or where conditions require discretion or special handling, it may be advisable to refine this list: For example one may identify the true "insiders" who need to be informed of every detail: Those who actually developed the proposal and perhaps a critical supervisor or two. In special cases, where the budget is a grant proposal and the agency has a strong ond on-going working partnership with the funding agency, the monitor involved might also be included if he is not adversarial or threatening. A Second category would be the "big decision" people--- those who need to be included in major decisions about the focus of the proposal, total cost ranges, and the like. For example, if a grant would involve doubling the number of staff members in an agency, the agency administrator and the board of directors need to be told.

A third group would be those with whom "working agreements" are essential in order to carry out the proposed activity. Thus, if one must get "sign off" approvals from persons within the agency or outside, they should be alerted in advance that their cooperation will be needed. Similarly, agreements involving the leasing or use of other facilities outside the agency or inter-agency cooperation should also be worked out in advance, even though such arrangements may, of necessity, be tentative.

One should not expect at the onset to work out a final listing of those whose aid is needed, for as the proposal takes shape, different ideas and assumptions will be added or dropped, making it necessary to modify the list of those whose support is essential. It is important to remember that the reason for identifying these reference groups is to build the largest possible coalition of support for the proposal developers, and the interest of those approached.

Another group may need to be dealt with in the proposal develpment process---those who are opposed to your proposal for some reason. Here one must be quite hard-nosed: To get your budget approved, total commitment and love from everyone will not be necessary and are rarely possible. It is important, however, to minimize active opposition both during critical budget hearings and behind the scenes when decisions are being made.

When faced with active or latent opposition, a useful strategy is to concertrate on defusing active opposition. If your program is disliked in another part of the agency, or in another agency, but those opponents are, for one reason or another not disposed to do anything about it, ignore them. Only if you expect active opposition--a petition, counter-testimony at a budget hearing, a behind-the scenes effort to influence budget decision-makers-- will it be advisable for you to act. Even then, the objective should not be to win them over, but only to isolate and defuse their opposition. This is not to suggest that it is unwise to concertrate on winning over you opponents at other times, and under other circumstances. However, direct confrontation is risky; (**they**, after all, might win **you** over!), and budget negotiations should always be undertaken with an eye to minimizing risk.

What, then, does one actually expect from these various reference groups? Under ordinary circumstances, the answer is nothing much. Gaining their indifference or presumed support is usually enough. It allows the budget-developer to indicate, for example, that a number of important persons have been informed of the proposal and without evidence to the contrary their support is assumed. There are many ways to communicate this information to funding sources without simply telling them. For example, letters of support in a grant application identify people who do not oppose the proposal and are willing to put themselves out to the extent of writing a letter.

In some cases, however, more active support from your reference groups may be necessary. You may need to make use of the, for example, to counter organized opponents at public hearings, in casual conversations, or through letter-writing campaigns. Ordinarily, however, such active involvement of supporters is a limited resource and should be used sparingly.

Working Up the Proposal

The analytical and arithmetic task of working up an actual budget proposal---committing numbers to paper---should normally occur simultaneously with identification and encouragement of budget reference groups. This step normally causes the greatest panic among new human services professionals, primarily because of this fear of complex mathematical calculations. "I can organize the support, sure," a student once told me, "but support for what?" In truth, ability to add, subtract, and multiply is about all the analytical skill it takes to perform most human services budget work.

The first step in developing an actual proposal should always be the same: learn the rules you will be working with. In developing a grant proposal, get a set of guidelines and read them carefully, particularly the budget sections, which typically list major relevant items to consider. If you are not working with a grant proposal, identify whatever other guidelines are involved. Not that many such guidelines are informal working agreements about what is and is not acceptable and that process can only be mastered through conversations with veterans of the process. ("The county commission never approves salary increases of more than eight percent, under any circumstances.") In the case of such informal standards, learning is an on-going concern, and one must always be alert for new information.

The existence of informal guidelines should never be used to justify sloppy preparation or inattention to detail. Inattention and insensitivity to formal guidelines can be a very costly mistake where budgets are concerned.

Part of the guidelines may include specification of the format in which your budget must appear (expenditure categories, necessary sub-totals, etc.). If so, you need only become familiar with that particular format and adapt your figures to it. If no such format exists, however, you may have to develop your own. In that case, it is usually wise to review standard formats until you find one that best approximates your needs, and then adapt it to your purposes. Remember, the logic of such forms is that they are "in balance": that is, whether or not revenues are explicitly listed, it is assumed that revenues will equal proposed expenditures and that groupings, or sub-sets of items, will add up to the total figure. "Hidden," "Assumed," and "Obvious but unlisted" figures are equally unacceptable.

The most difficult part of any budget, of course, is deriving adequate expenditure assumptions. Two considerations are particularly important here. First of all, estimates should always be of the "reasonable and prudent" variety---a fact which can often be demonstrated by citing evidence that the figures in question are based on "unusual and customary" expenditures in the agency or community. Second, one should always be alert to particular funding-source expectations or guidelines which override what is reasonable or customary. Thus, if it is reasonable and customary in your community for paraprofessionals to be paid $1.50 for a particular job, one should not expect to inlcude that as a cost item in a federal grant request, because federal agencies are legally required to pay federal minimum wage levels for all work.

Properly pricing budget items can be a problem in those cases where a typical circumstances in the agency raise agency-normal costs beyond what the funding source considers reasonable and prudent. Thus, many rural agencies have traditionally had difficulties justifying high travel costs to federal agencies that usually operate on an urban standard. Similarly, some urban agencies have difficulty convincing the same federal agencies that high clerical and other non-professional salaries are typical for their communities.

Keep in mind in pricing budget items that you will rarely be expected to project costs exactly; a l0 percent variance over or under is sometimes used as a guideline. Your estimates will improve with experience; if you do not have it, ask someone who does. Calculating expected paper and supplies usage, for example, can be a nerarly impossible task for a beginner, while projecting such usage based on prior experience can be relatively simple.

A key consideration here is how much to "fudge" or "pad" budget estimates since it is almost inevitable that some excess estimating will be built into every budget. One reason for this is that in estimating one seeks always to "be on the safe" side of estimates which could be slightly higher or lower. When all those margins of safety are added together, they constitute a sum which can, in itself, serve certain useful purposes. For example, when one is faced with unavoidable cuts in a budgeted amount, such "fudge" items are a logical first target. To anticipate the possibility of such cuts, therefore, and to build in some excessive estimates specifically for that purpose would appear to be prudent; however, such padding should not be excessive for , if the budget is approved as is, the agency many not be able to spend the entire request. In that case, it is possible that the agency may have to explain those same padded funds at the next budget period.

The largest single item in most human service budgets, and typically the one in which relatively precise cost estimates are possible, is the personnel section. Usually there are two principal cost items covered here: Wages and salaries of employees, and fringe benefits (often computed as a percentage of total wages and salaries). Sources for this information are multiple: If the agency has a salary schedule, budgets will need to be prepared in accordance with it, If not, the "usual and customary" criterion can typically be applied by using the salaries for comparable positions in the community. Once this category has been detailed, it can serve as a check on other categories as well. By comparing the percentage of personnel to tatal expenditures for the budget proposal with comparable figures for a similar agency or program, one can sometimes tell whether the proposal is "out of line". It should always be kept in mind that there are no absolute standards for this type of comparison; and even if one is "out of line", there may be a good reason for it. Determining this figure in advance may simply be good preparation, in case questions of this type arise during budget considerations.

Target: Reference Group Consensus

Eventually, of course, the objective of budget preparation is to put together a budget which will be acceptable to the funding source. That, however, is a far-off objective which it may be difficult to gauge usefully in preparing the budget. Therefore, a more proximate objective is to build a favorable consensus among the reference groups. Such an approach leads very quickly to the recognition that some of these reference groups are more important than others. An important task, therefore, involves determining whose support is most essential. One important consideration is the relationship between these reference groups and the most important reference group--- the funding sources. One should know which reference group members think like funding sources, which of them communicate directly with funders, and which are of no consequence. The entire process should produce and expanding climate of positive opinion culminating with the endorsement by the funding source. Careful planning and encouragement of support, together with a proposal which is understood by reference group supporter, should maximize the possibility of success.

Presenting the Budget

To orchestrate this expanding consensus for your budget proposal you must be familiar with the stages of consideration through which the budget request must move. Will the proposal move up an organizational hierarchy, being incorporated at each step with more and more proposals, and becoming, as a result, less and less visible? Or will it be presented on its own to a sequence of budget committees, boards, or directors, and funding source representatives? Although the number and circumstances of such presentations vary widely, the purpose remains constant: to present the budget in a manner most likely to broaden consensus behind the proposal. In so doing, it is often necessary to present information, and then explain and defend it without appearing defensive or threatened.

Budget presentations also vary widely in their degree of formality. In public appropriations contexts, such as city council, state legislative, or congressional budget hearings, legally mandated procedures may be accompanied by elaborate ceremonies and rituals. In such cases, the presentor is well advised to become well-versed in advance on the protocol of such an appearance. In other cases, the circumstances of "presentation" may be considerably more informal---in some cases, simply mailing in the proposal or supplementing a written proposal with telephone conversations. In each case, however presenting the proposal in a favorable light requires sensitivity to the surface differences of the situation. In each case, the funding source will ask one basic question: Why should limited funds be used for this particular proposal other then others?

Consequently, the circumstances of presentations tend to accentuate the importance of the rhetoric of budget-making. The budget presentor should always make the best possible case in the most effective, convincing manner. The strength of the case will, in most instances, be affected by three factors: (A) the formal rules of the budget process; (B) the informal situational norms involved; and (C) ethical and legal sanctions regarding misrepresentation of facts and accountability.

Written budget materials should effecively communicate the need for the activity, the consistency between the need and the level of funding requested, the "fit" between the proposed funding and the "larger purposes" of the funding source; and the ability of the agency to carry out the proposed activity.

There is often continuity from year to year among budget officials, whether in public bodies, United Way budget committees, or federal agency monitors. Under such circumstances, part or all of the above "case" for funding may not have to be repeated year after year because the decision-makers involved know much of the case already and would only be bored by repetition. For this reason, **incremental budget-making** is the most widely used approach to budget decisions.

In truth, decisions about budgets are seldom made after dispassionate review of evidence presented in a scientific manner. Instead, decision-makers facing complex, difficult, and tedious decisions tend to resort to time and energy saving devices. Thus, an agency presenting requests year after year for the same program may find that decision-makers concertrate almost exclusively on the "increment" of increase or decrease of the proposal from the previous year, rather than the overall merits of the request. Such limited, focused decision-making appears to be an inevitable response to the complexity of such situations, one that is functional for both decison-makers and those making requests. Decisions are thereby reduced to managable proportions, and decision-makers stand a better chace of acomplishing their task in the time available. From the agency standpoint it tends to reduce survival anxiety, since the principal issue is the increase or decrease in funding, rather than decisions about whether or not to fund at all.

On the whole, such incremental approaches are the rule, rather than the exception, in budgetary decision-making in all human services contexts---public appropriations, voluntary-federated, and federal grant decisions, In recent years, however, critics of such "incremental" decision-making have pointed to a number of inherent weaknesses in this approach. For one thing, as noted above, such decisions are inevitable weighted in favor of existing funding, and the question of whether or not previous performance warrants continued funding seldom comes up. Even if the question does arise, agency officials can often deal with it readily by promising to do better in the future. Further, it is argues, such decisions are inherently supportive of the status quo, andm ake change difficult. Similarly, it is argued that by approaching decisions in piecemeal fashion, the funding authority never comes to grips with molding or shaping the system under its ostensible control. Instead, it allows and even encourages drift and indecision.

Budget Systems and Budget Revolutions

Such arguments have given rise in recent years to a number of proposals for budgetary reform in the public sector. These proposals have been universally critial of several characteristics of traditional budget **formats** as well as the incremental style of decision with which they are associated.

One format characteristic which has drawn criticism is the so-call **line-item budget** still in use in many public budget settings. This is undoubtedly the most elementary form of budget presentation, listing only a brief descriptive term and a summary total of proposed expenditures for each department or major unit involved. Nearly all critics of this format point out the tremendous information loss involved in this style of presentation. Virtually nothing of the goals objectives, programs, and accomplishments of major organizational units (such as a state department of public welfare) are conveyed by this type of budget.

Further, none of the specific agreements, negotiations, or understandings which are reached in the budgetary process are reflected in this budget form, except as they affect the total proposed expenditure.

Line-item budgeting may once have been a satisfactory form of budget presentation. When the public business was carried out in a direct, face-to-face manner, and when government units were sufficiently small to be directly accountable to legislative bodies, the shorthand notations of line-item budgeting may have been entirely satisfactory. Historically, such forms were often associated with a direct form of accountability in which the public bodies which approved budgets also approved monthly or quarterly lists of separate expenditures made under those budgets. (Many school boards and county and municipal governments still continue this practice today.)

With the growth of government, however, such procedures and the resultant information they yielded were replaced, leaving only the information-deficient line-item budget. The prospect of a present-day Congress or state legislature reviewing in detail thousands of such transactions involving billions of dollars is unthinkable. Yet no fully adequate substitute for such detailed information and routinized accountability procedures has been devised.

One of the major difficulties in resolving this problem is the lack of an appropriate scheme for the classification of expenditures. If each purchase of fuel, payroll check, and travel reimbursement is not to be listed separately, some scheme for combining such separate expenses must be devised. One approach to classification has been the **functional budget** categories found in most federal grant application budgets and other types of project budgets. Classification of expenditures in this mode involves the use of such accounting categories as "personnel", "travel" , "supplies", "office rent". While such an approach is integrated into most existing accounting schemes in the human services, it is not without its problems. This principal difficulty with this approach is that it yields relatively large amounts of information meaningful only in the context of fiscal accountability and expenditure control. In that sense it is difinitely a step forward, but hardly an ideal solution to the managerial use of budgets.

Critics of functional budgeting have been especially concerned with its inability to deal adequately with questions of purpose, goal attainment, and accompishment of objectives. One can readily determine, for example, that an agency plans to spend $100,000 on personnel costs during the coming year, and yet have no idea whatsoever what the people hired will be doing. Thus, it is essential to recognize that functional budgets can never be interpreted in isolation. Without any accompanying narrative "work program" they yield only information that is narrowly fiscal.

Concern over the weaknesses of traditional budget formats and decision styles has led to several proposals for major reform of public budgetary practices. It should be noted from the outset, however, that most of these proposals involve modifications in the operation of entire budget systems, a task well beyond the means of individual agencies and programs. The the extent that such reform proposals are implemented, therefore, it is most likely that they will come down to agencies in the form of modified guidelines which agencies must adhere to in budget negotiations. Therefore, familiarity with the drift of such proposals is a matter of importance for human service administrators.

One of the most controversial proposals for budgetary reform has been the Programming-Planning-Budgeting Systems (PPBS) approach, first implemented in the federal government in 1965, and later abandoned. This approach is built upon economic analysis of program impact, using cost-benefit technology, and presumes to restrict budget decision-makers to the allociation of funds based upon their short and long-term economic consequences. Even after its abandonment by the federal government, interest in this approach has remained high in many circles. To date, however, there are no fully operational PPBS systems anywhere in the United States. Despite this obvious failure, there have been several discernable results of this movement: First, the debate over "comprehensive" versus "incremental" approaches to budget decisions has generated a range of new insights into the nature of budgetary decisions. Secondly, the "program budgeting" format of PPBSS has generated renewed interest in the linkages between budgeting and planning, and particularly in formats for defining standard categories of service and their expected outputs or benefits. Recent audit guidelines by the American Institute of Certified Public Accountants for Voluntary Health and Welfare Organizations, and the elaborate UWASIS-II taxonomy of human services produced by the United Way of American are among the many concrete results of this interest. Thirdly, PPBS has sparked interest in a broad range of developmental work on the application of cost-benefit and other measurement approaches to the effectiveness of human services. Finally, the PPBS phenomenon has created a climate of opinion receptive to other new approached to organizing the budgetary process. Two such approaches warrant additional discussion here.

One of these, Zero-Based Budgeting (ZBB) received considerable publicity following its endorsement by President Jimmy Carter during his tenure as governor of Georgia and again in the presidential campaign of 1976. While this approach offers some conceptually interesting possibilities, its superiority to traditional incremental approaches has yet to be demonstrated. In fact, there is some reason to believe that ZBB represents a formalized, rationalized form of incrementalism. The core of the ZBB approach involves formulation and consideration of "decision packages" which are sequentially redefined into even more inclusinve terms through the organizational hierarchy. It is, in most respects, a formalized version of the consensue-building process noted above. The single exception to this similarity between ZBB and incrementalism would appear to be the suggested "periodic" reassesment of the advisability of funding particular program packages (a "zero-base" approaach). It should be noted that while such reconsideration of "base" as well as "increment" may be commendable, enforcing realistic (as opposed to *pro forma*) consideration of this question is likely to be as difficult under ZBB operating rules as it is for present decision-makers.

In other cases, it has been suggested that Management by Objectives is an appropriate antidote to the deficiencies of contemporary budgetary decision-making. Probably the most fruitful concept in the MBO approach for budgetary purposes is the measurement of objectives. A genuine revolution in human services budget-making could be accomplished if agency representatives and budgetary decison-makers could agree upon particular criteria for assessing agency performance and ways of linking those citeria to patterns of agency expenditure. However conceptually attractive such an approach might be, it is not presently possible in an operational sense.

We have no choice but to classify budget-making approaches like ZBB and MBO as good but unworkable at present. If budget systems are to be changed for the better, however, these good ideas must be converted intop operational realities.

Budgets in Fiscal Control

Once a budget has cleared the budgetary process, its management usefulness is not complete. Approved budgets are useful instruments for managerial control and direction of project activities throught the fiscal period, if the administrator is aware of their potential. Indeed, human services might well take a cue from commercial enterprises, where managerial control is the principal justification for the use and development of budgets.

The elementary use of budgets in management control involves periodic comparision of budgeted projections on income and expenditure with actual figures, in order to identify areas of overspending in with problems may result, and areas of underspending, from which transfers of funds to other areas may be arranged. This usage of budgets involves two distinct levels of skill on the part of the administrator: first, a basic understanding of the operation of the particular accounting system involved, its chart of accounts, schedule of activities and events, such as monthly closings, posting, and completion of trial balances; second, the ability to make simple mathematical distributions, converting yearly budget figures to monthly or quarterly figures. In addition to such skills, the administrator must have access to certain internal financial reports---particularly the trail balances mentioned above. This may present some problems in organizations where the accounting staff is not accustomed to sharing such information. In most instances, however, it is relatively simple to establish a case for the managerial importance of this information. Assuming, therefore, that such information is available, the human services administrator should be able to keep an on-going check on the comparison of real and projected expenditures simply by comparing trail balances and budget projections.

It is a good idea when engaging in this practice to become familiar with the rules and regulations affecting internal transfers of funds. In some cases, for example, it is possible to transfer l0 percent or more from one budget category to another without approval of the funding authority, and to make larger transfers with approval. Thus, if it is determined that duplication costs are far exceeding estimates, while travel costs are well below estimates, a transfer between accounts may readily resolve any problems. One must be very careful. however, to determine the appropriate rules governing such transfers to avoid serious legal or ethical problems.

In cases where additional management control is required, some more elaborate extensions of the simple comparison of budget and trail balance can be worked out. One approach, for example, would be to break down the annual figures into detailed variable monthly or quarterly estimates, based on projected fluctuations in expenditure or revenue. If one simply divides each budget item by 12 or 3, this approach differs very little from that suggested above. However, if such estimates actually incorporate assumptions about fluctuations, the usefulness of this approach will be in direct proportion ot the level of precision in monitoring expenditures. (As an example, heating costs may be higher in winter and lower the rest of the year. Staff may travel more in spring and summer than in other seasons. Conference, travel, personnel and consultation cost fluctuations may all be reasonably predictable.) In general, the greatest payoff from this approach can be expected when there are anticipated fluctuations in personnel expenditures, simply because these are are major items in most human service budgets.

In cases where approved budget funds may be release to an agency on a monthly or quarterly basis, or even as reimbursements for expenditures already made, it may be advisable also to combine this approach with cash-flow analysis which examines the rate of expenditures compared with available funds. It should go without saying that one cannot expend funds which are not actually available, and overdrafting agency checking accounts is at least as serious as overdrawing one's personal account.

In most instances, such regular monitoring of expenditures should enable the human services administrator to locate and even anticipate expenditure problems before they occur. Two additional steps need to be taken, however, to assure full-scale managerial control over the budget. The first is a "recap" session in which key agency administrators and staff members meet to review the implications of the approved budget, and adjust prior plans to the final outcomes. A key consideration for this group should be how realistic it is to assume that the agency will expend all of the approved funds during the fiscal period. If the approved budget calls for an increase in staff positions, for example, and positions must be created and advertised, and candidates must be interviewed, it may be several weeks, or even months, before the program can be "geared up" to full expenditure levels. Unless reallocated as outlined above, such funds will remain as surpluses at the end of the funding period--- and conceivably reflect badly upon the agency with budget authorities. In many cases, anticipated surpluses of this type can be identified at the very beginning of the fiscal period and reallocated to other uses as they occur.

If the recap session is fairly thorough and no such reprogrammable items are identified, one can assume that the budget results are on target and things should proceed smoothly and according to plan. It is wise, however, to repeat an examination procedure of this type at intervals during the year. For example,the monthly comparison of budgeted and actural expenditures noted above by the responsible administrator might "flag" possible troublesome items for reallocation on a quarterly basis. In most instances, the earlier such variances are identified the more readily one can take action to correct them. In any event, one should usually be prepared to deal with most such matters by early in the fourth quarter of the fiscal year, since any shorter time frame may necessitate hasty and inappropriate actions.

In sum then, the key aspect involved in linking the budget with control procedures in human sevice agencies involves identifying relevant information sources, such as the trial balance, and fitting the timing of budget assumptions about projected expenditures with information about actual performance. While such an approach will not provide comprehensive or fully up-to-date control of expenditures, it does offer a significant level of management control over actual performance consistent with the limits of information processing and accounting technology extant in most human service agencies today.

Conclusion

Financial management in all human service organizations is a set of interrelated activities encompassing fund-raising, allocation decision-making, fiscal control, evaluation, and planning. Budgets are a critical element in all of these areas. Key elements in budget-making involve working out or identifying the plan or program of activities to be budgeted, identifying and pricing the key expenditure items linked with that plan, and building a consensus for the resultant budget proposal with important budget reference groups including committees, boards of directors, staff members and relevant decision authorities. The actual task of working up a proposal involves identifying formal rules and guidelines, as well as unearthing informal understandings which bear on the matter. Once a proposal has been worked up, the details of presentation should also be carefully planned and executed. Whether it is "presented" by mail, in person, or at a formal public hearing, the rhetoric of the presentation and the impressions thus created are not matters to be left to chance. Once the budget has been approved, it can have further management uses in control of program expenditures, provided the administrator has access to information on actual expenditure patterns to compare with budget projections.

The suggestions contained in this introductory review of budget-making in human service agencies in no way exhaust the possibilities. This discussion is intended only to suggest the rough outlines of the 'concept map" of the subject. As such, it should be seen as a prelude to career-long exploration and refinement of the knowledge and skills appropriate to this provocative subject.